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SUBJECT: CHEN CALLS FOR RECONCILIATION IN NEW YEAR ADDRESS

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

11. (C) Summary: In his New Year's Speech, Chen Shui-bian called for reconciliation and cooperation between the ruling and opposition parties in order to stabilize domestic politics and promote cross-Strait peace. Chen suggested that the Pan-Green and Pan-Blue start dialogue on the areas on which the two camps had already reached consensus, including a number of bills and resolutions proposed by the Greens and the Blues in the course of the December 11 Legislative Yuan (LY) election. Chen also urged Taiwan to "stand in solidarity" in the face of China's "escalating belligerent rhetoric and military intimidation." He pledged that Taiwan will continue to stand firm and seek peace and stability, and said he would form a "Committee for Cross-Strait Peace and Development" in order to forge an internal consensus in Taiwan. Despite his theme of reconciliation, Pan-Blue politicians continue to doubt Chen's sincerity. Given this atmosphere of mistrust and contention, it is difficult to imagine anything constructive being achieved in the next three weeks before the end of this LY session. End Summary.

Give Politics a Break

12. (C) In a New Year's Day address entitled, "Creating a New and Stable Environment for Consultation and Dialogue," Chen Shui-bian stressed the need for reconciliation and cooperation between the ruling and opposition parties in order to stabilize politics, improve the people's livelihood, foster ethnic harmony, and promote cross-Strait peace. On domestic politics, recalling the "heated campaigns" of presidential and legislative election over the past year, Chen urged Taiwan to accept the outcomes as part of the process of democracy. He called for "calm and rest" for the people and "solidarity and stability" for the nation. Acknowledging that the Taiwan people had sent a clear message in the December 11 legislative election that "the governing party must rule with humility while the opposition parties must be rational in providing oversight," Chen stated that Taiwan does not need bifurcation and ongoing confrontation between the Pan-Green and Pan-Blue.

Starting with Domestic Legislation

13. (C) Stating that "politics is an art of possibilities," Chen promised to listen attentively to the voices of the people and to the opinions of the ruling and opposition parties in his decisions on the new Cabinet. He proposed that the two camps work toward reconciliation by starting dialogue on the areas on which the two sides had already reached consensus, including the Ten Priority Bills and Nine Major Law, proposals that had been rolled out by the Pan-Green and Pan-Blue coalitions, respectively, during the campaign for the December 11 LY election. Chen invited leaders from each camp, as well as representatives from the executive and legislative branches, to meet as soon as possible to negotiate the legislation. He followed up on January 3 by convening a meeting of DPP leaders to establish internal party consensus in support of his call for inter-party cooperation.

Forging Consensus on Cross-Strait Peace

14. (C) In the portion of the speech that addressed cross-Strait relations, Chen said that now that the LY election was over, Taiwan should close the "Pan-Green and Pan-Blue divide" in order to "stand in solidarity" in the face of China's "escalating belligerent rhetoric and military intimidation." He noted that Taiwan had extended many olive branches over the previous four years and sought to establish a new basis for dialogue, but China had continued its military intimidation, most recently "concocting a so-called 'legal basis' for its military invasion of Taiwan" through the proposed "anti-secession law." Chen urged that PRC authorities "not under-estimate the will of the Taiwan people to defend the sovereignty, security and dignity of the Republic of China." He then pledged that Taiwan would continue to stand firm and seek peace and stability, and announced that he would form a "Committee for Cross-Strait Peace and Development" in order to forge an internal consensus in Taiwan.

15. (C) Chen then thanked Taiwan's "international allies, including the United States and Japan," for their continued support, noting that sometimes "progress can only be made tacitly, and not publicized." Then he rejected "unfair slanders" of Taiwan's foreign policy and expressed confidence in Taiwan's friends and the continued prospects for expanding Taiwan's international space.

#### Pan-Blue Doubts Chen's Sincerity -----

16. (C) Despite his theme of reconciliation, Pan-Blue politicians continue to doubt Chen's sincerity. Dismissing Chen's goodwill statements as "nothing new," People First Party (PFP) Legislator Sun Ta-chien told AIT on January 3 that the Pan-Blue has come to distrust Chen's "expressions of humility." Sun asked rhetorically, "will Chen give up supporting Taiwan independence and using the referendum to enact a new Constitution, will he empower the March 19 Truth Investigation Commission with real teeth, and will he resubmit the Control Yuan nomination list?" Sun said that he doubted Chen would yield on any of these issues. KMT Legislator Lee Chuan-chiao agreed that Chen cannot be believed, but said he would take a wait and see attitude. Lee suggested that Chen could show his sincerity by appointing PFP Chairman James Soong as the Straits Exchange Foundation (SEF) Chairman, the position now vacant with Koo Chen-fu's death on January 3. Soochow University Professor Emile Sheng told AIT that the litmus test for the extent of Chen's willingness to cooperate would be his stance on the Control Yuan nominations and Special Defense Budget.

#### Comment: Chaos Still Reigns -----

17. (C) Despite Chen's conciliatory statements in his New Year's Address, Taiwan politics remain volatile and contentious. The Taiwan High Court dealt KMT Chairman Lien Chan and his presidential running mate James Soong another defeat on December 30 when it rejected the KMT-PFP lawsuit to invalidate the March 20 presidential election. Lien and Soong's frustration over being deprived of victory on March 20 continues to drive the Pan-Blue coalition to oppose Chen on almost every issue. Tensions exist within the Pan-Blue as well, with the PFP angry that the KMT failed to provide PFP with financial resources and electoral support in the LY election. The same internal mistrust is mirrored within the Pan-Green alliance, between the TSU and DPP, and even within the DPP itself, between its dominant New Tide faction and the rest of the party.

18. (C) There is pervasive discontent among the rank and file of all four parties, who feel their party leaders are primarily concerned with their own self-interest. While most political observers predict impasse over the next three weeks, the more optimistic hope that the conclusion of the current and highly contentious LY session on January 21 will provide an opportunity for the two opposing political camps to compromise and begin long overdue cooperation. With the same leadership in both camps that produced the current deadlock still in place, however, it will require a dramatic shift to generate any mood of reconciliation, cooperation, or commitment to the greater good.  
PAAL